PUBLIC LIBRARY

MONTHLY REVIEW

Of Industrial and Financial Conditions in the New England District

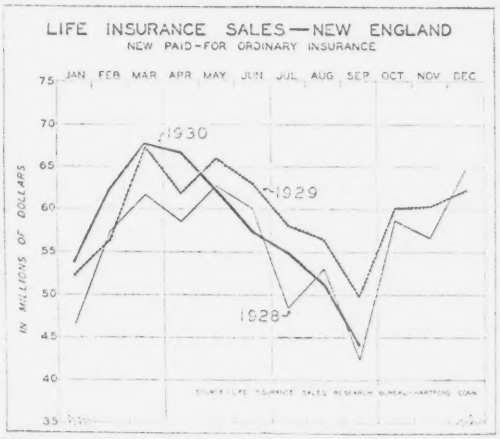
By Frederic H. Curtiss, Chairman and Federal Reserve Agent

FEDERAL RESERVE BANK OF BOSTON

VOL. XII BOSTON, MASS., NOVEMBER 1, 1930 NO. 11

THE SITUATION

Although there was an increase in September from August, in the general level of industrial activity in New England, the increase in most lines of industry was of about the usual seasonal amount, or less, and the first three quarters of the current year closed without evidence of a revival in business activity. Production generally has been cut down sharply from the unusual quantities turned out in 1929, and while consumption has also shown a decline, the proportionate reductions appear to be greater in production. In New England during September employment and payroll conditions reflected about the usual seasonal changes, and, according to the United States Department of Labor, employment in manufacturing establishments in New England declined 18.9 per cent from September, 1929, while payrolls were 27.4 per cent below those in that month a year ago. Employment and payroll conditions in this district were similar to those in the country as a whole. The amount of raw cotton consumed by New England mills in September was somewhat larger than in the preceding month, but was about 36 per cent less than in September a year ago; consequently, cotton consumption in New England during the third quarter was lower than in any quarter since the war. Raw wool consumption in this district likewise has been at distinctly lower levels this year. Total building contracts awarded in New England during September were not only about 12 per cent larger than in August, but also exceeded those of September, 1929, by about six per cent. The volume of new residential building (square feet), however, in September was the lowest for that month since 1920, when seasonal adjustments have been made, and the volume of commercial and industrial building (square feet) was at an unusually low level. New England boot and shoe production in September was larger than in August, but was about 10 per cent less than in the corresponding month a year ago, and for the first three quarters of 1930 was approximately 13 per cent under the production in that period of 1929. Commercial failures in this district during September, compared with a year ago, increased in number 37 per cent and in total liabilities 88 per cent, both increases being higher than the corresponding figures for the entire country. Sales of New England reporting retail stores in September were nearly nine per cent less than in that month a year ago, and during the first nine months of 1930 were 3.4 per cent below the sales in the corresponding period of 1929. Preliminary reports indicate that sales of Boston department stores during the first four weeks of October were about 4.5 per cent less than in that period last year. At the end of September regular accounts outstanding in Boston stores were 2.3 per cent larger than at the end of September, 1929, while in stores in this district outside of Boston regular accounts outstanding were 5.9 per cent less.



Life insurance sales each month since April in New England have been considerably lower than in the corresponding months in 1929, and were in about the same volume as in 1928.

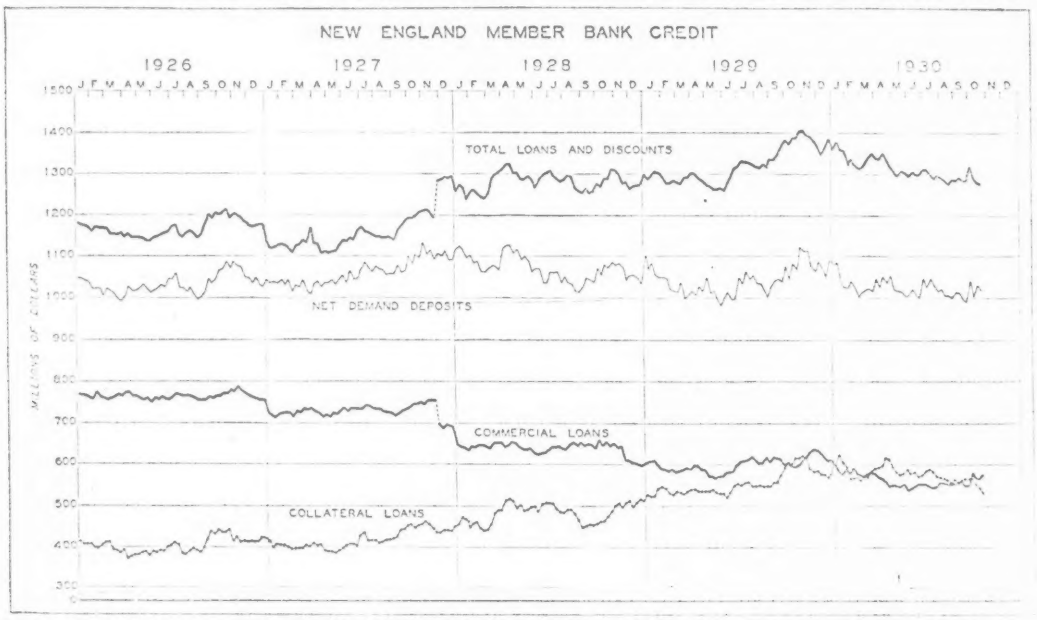
Source of data—Life Insurance Sales Research Bureau, Hartford, Conn.

MONEY AND BANKING

The usual seasonal firming in money rates has been entirely absent in Boston this autumn. In the open market extreme ease has continued, apparently unaffected by seasonal influences. The 90-day asking rate for bankers' acceptances is 1⅛ per cent, unchanged since early in the summer. United States short-term obligations have also been strong in price and low in yield. The two-months' bills offered by the Treasury Department on a discount basis on October 15 were allotted at prices ranging from 99.736 down to 99.671. These prices represented yields of about 1.82 per cent. On October 24 the asking rate for certificates maturing on December 15, 1930, was 1.72 per cent.

For several months New England banks have shown trends somewhat similar to the changes occurring in banks located elsewhere in the United States, but in recent weeks the local changes have begun to show some differences. Total deposits in the reporting member banks of the entire United States are steadily continuing their upward trend, whereas in Boston they appear to have become stabilized at a fairly high level. Outside of Boston, however, the total deposits in the other New England reporting member banks, like those in the system as a whole, are still rising. The relatively high level of total deposits in Boston member banks is due largely to expansion in time deposits, while demand deposits have shown some tendency downwards since the peak reached about a year ago. On October 22 net demand deposits of Boston banks were substantially lower than in April and July. The movement in the country banks, on the other hand, shows gradual expansion in net demand deposits similar in character to the movements in the rest of the United States.

As a result of the relatively high level of loanable funds in Boston banks, their credit position has been exceedingly easy. Substantial liquidation has taken place in collateral loans, which, on October 22 were $66,000,000 below the peak reached in April. A similar contraction in loans secured by collateral has also occurred in the outside reporting member banks. Furthermore, the banks have ceased to expand their holdings of stocks and bonds, which have become stabilized at approximately the August level, both in Boston member banks and in outside reporting member banks. This is another point of contrast with the banks of the rest of the country, whose holdings of investment securities have continued to expand rapidly. New England banks have been turning more and more to the open market for investment of their surplus funds, placing such funds in the most liquid form of paper available, namely, brokers' commercial paper and acceptances. All other loans, mainly commercial, have shown a marked upward movement in recent weeks in Boston banks, due to open market purchases rather than to expanding demand from customers.



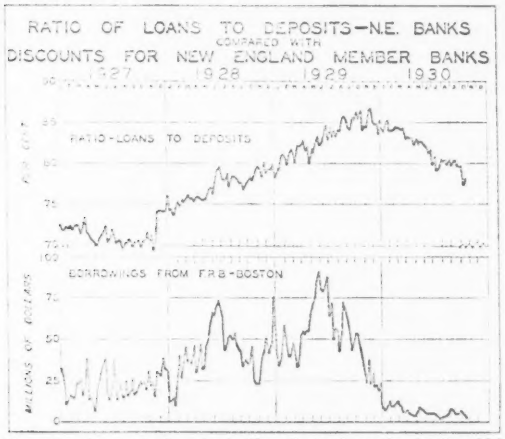
Total loans and discounts of reporting New England member banks have shown a downward movement from the peak reached in November, 1929. Collateral loans, however, have not dropped relatively as much until recently. A fairly sharp reduction took place in October.

At the date of the last [illegible] call for condition, September 24, 1930, the Boston member banks had expanded their investment holdings of bonds and stocks by about $22,000,000, as compared with the previous call on June 30. The expansion was almost as great when compared with their holdings a year ago, so that this growth is in no sense a seasonal expansion. Holdings of brokers' commercial paper purchased in the open market on September 24 similarly showed an expansion of about $38,000,000, as compared with a year ago, although such holdings were slightly less than on June 30. On the other hand, commercial loans to customers, as distinct from commercial paper and acceptances purchased in the open market, were somewhat lower on September 24 than on June 30, and substantially lower than a year ago. Real estate loans also have shown a steadily declining movement since the peak reached about 18 months ago, on March 27, 1929. The volume of real estate loans held by Boston banks on October 15 amounted to only $83,000,000, the lowest level in several years.

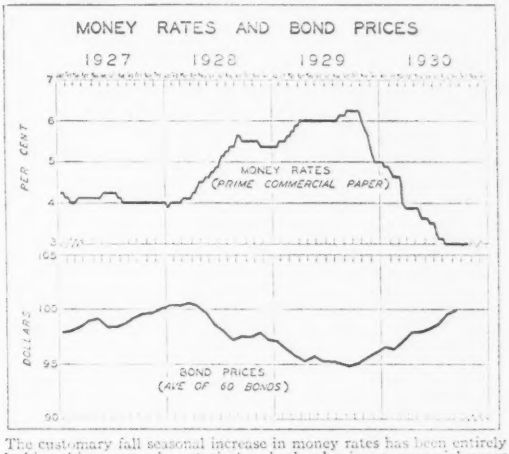
An analysis of the securities owned by the Boston member banks on the date of the quarterly call for condition of September 24 indicated some reduction in United States Government obligations held and in corporation stocks and foreign securities, as compared with the previous call of June 30, 1930, while there was a counter-balancing expansion in holdings of state, county and municipal bonds, town notes, and corporation bonds.

Again using the detailed quarterly condition call figures as the basis of comparison, it is significant that, although total time deposits, as indicated above, have expanded rapidly and continuously over a long period, nevertheless, the changes in savings deposits have been much more irregular and the expansion has been much less marked. This is in contrast to the changes occurring in the group of mutual savings banks which report each month to the Federal Reserve Bank of Boston. Deposits in these mutual savings banks, both in Boston and in New England as a whole, are expanding slowly but steadily, and on September 30 were between three and four per cent higher than they were a year ago. Another significant change occurring on September 24, as compared with previous dates, was the rise in deposits of foreign banks included in the time deposits of the Boston member banks. These foreign time deposits nearly doubled during the last 12 months.

The comfortable position of the member banks, which is reflected currently in the unusually easy money rates, is also reflected in the position of the Federal Reserve Bank of Boston. All the New England member banks together were borrowing only $6,117,000 on October 22. This is the smallest volume of member bank discounts, with the exception of one or two isolated instances in 1924, which has been recorded since the spring of 1917. Boston banks were practically out of debt to the Federal Reserve Bank of Boston on Thursday, October 23, when all Boston banks together were borrowing only $100,000. Inasmuch as the holdings of bankers' acceptances by the Federal Reserve Bank of Boston have also been substantially reduced in recent weeks, with practically no change taking place in the volume of Government securities owned, the total earning assets of the Federal reserve bank on October 22 amounted to only about $70,000,000. The reduction in earning assets, together with relatively stable Federal reserve note and deposit liabilities during recent weeks, resulted in a substantial rise in the total cash reserves, which in turn produced a relatively high reserve ratio of 82.7 per cent.



The ratio of loans to deposits in New England member banks which was over 95 per cent in the face of 1929 had dropped to about 78 per cent at the latter part of October.



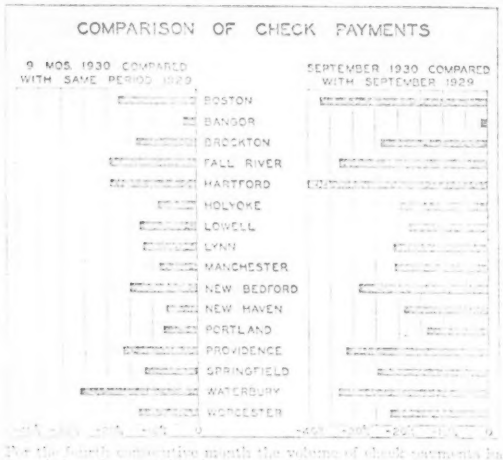
The customary fall seasonal increase in money rates has been entirely lacking this year, and quotations on brokers' prime commercial paper were 3 per cent between the first of August and the last of October.

NEW ENGLAND INDUSTRIAL CONDITIONS

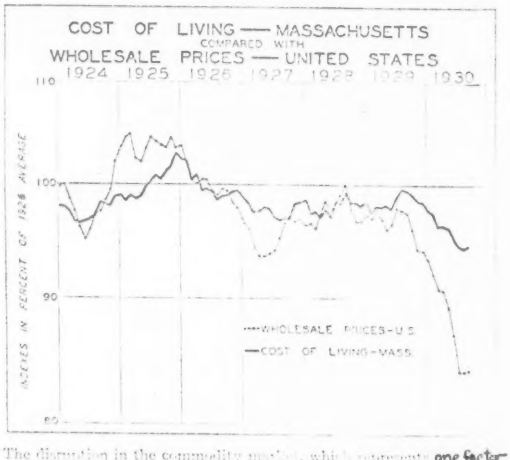
Electric Power:—The consumption of electrical energy for industrial purposes in New England during September increased slightly over one per cent when compared with the August figure. The index of industrial activity compiled by The Electrical World, based on the consumption of electrical energy by manufacturing establishments, indicated a decline of almost nine per cent in the seasonally adjusted index for September. In view of the fact that the adjusted index has been declining steadily throughout the first eight months of the present year, regardless of what might be normally expected in the month to month changes, an increase of less than one-fifth of that which usually occurs in September is not substantial. Of four industries to show increases in the volume of electric power consumed, only two, — rubber and textile products, — reported sizable gains. The largest decrease in the amount of electric power consumed was in the chemicals and allied products group, with a reduction of more than 25 per cent. The small increase in electric power production and sales by public utility and service corporations, as reported in September, shows for the most part the increased use of electric power for lighting purposes.

Carloadings:—Total New England carloadings during the third quarter of 1930 were 478,653 cars, compared with 574,476 cars in the corresponding period of 1929, a decrease of 16.7 per cent, which was only fractionally (0.2 per cent) above the decline for the country as a whole. For the first three quarters of 1930 the decline in the volume of shipments from the same weeks of last year was only 12.1 per cent. During the week ending October 4, 1930, total freight loadings increased about 1000 cars, which is four times the increase that occurred for the week ending October 5, 1929. The weekly average of merchandise, l.c.l., and miscellaneous carloadings in New England for September was 35,135 cars, a decrease of 12.5 per cent from the same month a year ago. The seasonally adjusted index of merchandise, l.c.l., and miscellaneous carloadings indicated a further slight decline in September, the fourth consecutive monthly decrease, and, excepting June, when there was an unexpected increase in the volume of this class of shipments, a continuation of the downward movement in the adjusted index, which declining tendency has been in force since the beginning of the year. Among the 14 cities for which carloadings reports are available, only two, Boston and New Bedford, show changes of greater-than-seasonal magnitude, with Boston reporting a decline of larger proportions than usually occurs in September, while a gain was recorded in New Bedford.

Employment:—Employment demand throughout New England in September showed moderate seasonal increases. In Massachusetts the increase was three per cent larger than usually occurs in September. The increase in employment demand (call for workers by employers at three public employment offices located in Boston, Worcester, and Springfield) was for the most part attributable to the rise of 54 per cent in the call for workers at the Boston (Pearl Street) office. The increased demand was largely for building craftsmen, such as painters and carpenters, with slight call for skilled mechanics and metal tradesmen. Midmonthly reports from Boston and Worcester for the first two weeks of October indicated no further improvement in the demand for workers.



For the fourth consecutive month the volume of check payments has been below the level for the corresponding month of 1929, and the total for the period since the first of the year in each of the 16 cities has shown a decline in comparison with the same period a year ago.



The disruption in the commodity markets, which represents one factor in the cost of living, has been largely confined to raw materials such as cotton, wheat, sugar, rubber, and copper.

Sources of data—Bureau of Labor Statistics; Massachusetts Department of Labor and Industries.

The Massachusetts Department of Labor and Industries reports that returns from 1074 establishments show, for all industries combined, in September as compared with August, an increase of six-tenths of one per cent in the number of wage-earners employed, an increase of eight-tenths of one per cent in the aggregate payroll, and an increase of two-tenths of one per cent in the average weekly earnings per person. The only important change in any of the major industries was in dyeing and finishing textiles, in which employment showed an increase of 5.3 per cent and the average weekly earnings showed an increase of $2.51 per person.

Of the 188,606 persons employed, as shown by the September returns, 120,532, or 63.9 per cent, were in establishments reported as operating on full-time, with generally full-time for all employees. The corresponding percentage for August was 59.2, and for July was 59.8.

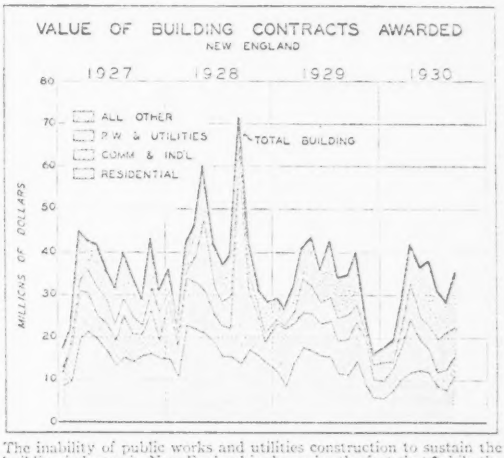
Reports made to the Commissioner of Labor of Rhode Island at the end of September by 216 manufacturing establishments and 33 building and construction concerns show further increases in the numbers employed. Despite the fact that certain plants, chiefly in the textile industry, remained closed during the month and others were operating under curtailed schedules, there were 2.5 per cent more employed than at the end of August and 3.3 per cent more than at the end of July. The 216 manufacturing plants had 61,285 employed at the end of September, compared with 59,808 at the end of August and 59,311 at the end of July. The same plants had 78,501 employed during the same period last year.

In Connecticut employment continued to be on reduced schedules, with some seasonal improvement noted in a few specialty lines. Part-time operations obtained in many hardware plants, foundries, machine shops, and textile mills, although certain silk mills were operating on overtime.

Building:—Total building contracts awarded in New England during September showed an increase of $7,142,000, or 12.5 per cent over those awarded in August and a gain of six per cent over the September, 1929, total. September was the third month during the current year in which the total value of contracts awarded exceeded both that of the preceding month this year and of the corresponding month of last year; the other two months were April and June. In both of these months the successive monthly total value of new awards declined; in April the increase over both the previous month of this year and the corresponding month a year ago represented the culmination of a four-months' upward tendency in the monthly value of new awards. The September increase in total building awards was directly attributable to the gain of $7,500,000 in new residential and educational building awards. The September increase in these two classes of construction offset the $5,500,000 decline which occurred in the same two types of building during August, with the resultant drop in total awards for the month.

The adjusted index of new residential building (square feet) in September showed the third successive monthly decrease, which brought the index down to the lowest point for any September since 1920. The index of commercial and industrial building (square feet) for September not only declined for the fifth consecutive month, but indicated the lowest monthly volume of new awards in the past 11 years.

The improvement noted in the employment indexes of both New England and Massachusetts in September was only seasonal in direction and not in magnitude. In the last five years, a falling off has occurred in the volume of employment during the last three months of the year.
Sources of data—Bureau of Labor Statistics; Massachusetts Department of Labor and Industries.



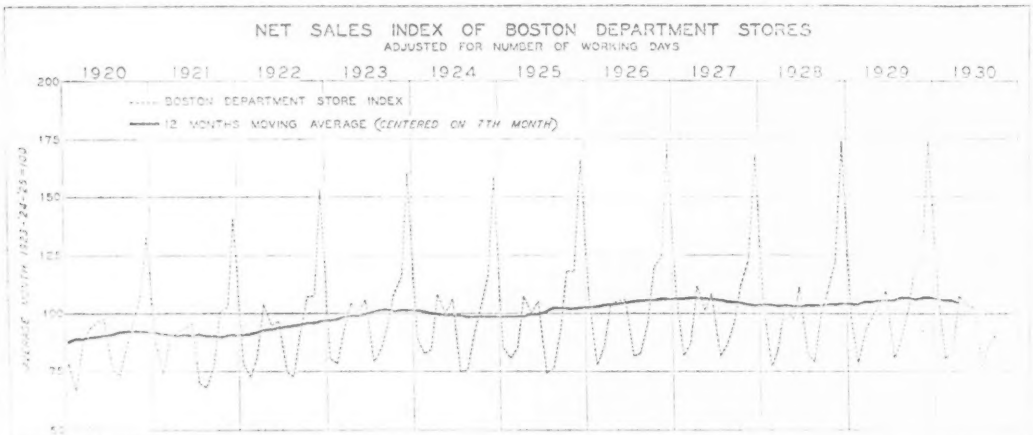
The inability of public works and utilities construction to sustain the building industry in New England is shown by the fact that, while the value of this class of construction has been larger this year, it has not been able to offset the losses in residential and commercial and industrial building.
Source of data—F. W. Dodge Corporation.

Boots and Shoes:—Estimated total boot and shoe production for this district in September was 10,876,000 pairs, representing an increase of 4.3 per cent over August, but a decrease of 9.7 per cent from last September. The principal increase in total shoe production usually occurs in August, and while on a daily average basis September production represents the peak of the fall upswing, the fewer number of working days in the month usually results in a slight decrease in the aggregate monthly output, in comparison with that for August. This year, however, after a substantial increase in August, the total September output also showed a further increase. Nevertheless, the total production of boots and shoes for the first three quarters of 1930 in New England was 13 per cent lower than in the corresponding period of last year, while at the close of the first half of this year the decline amounted to 11 per cent. Shoe production for the entire country during the first nine months was 12.1 per cent smaller than that for the same period last year, as against a deficiency of only 8.1 per cent at the close of the first half of this year compared with the first six months of 1929.

Shoe shipments from Haverhill in September were in the largest volume since March, 1929. During the peak of shoe production in the second and third quarters of last year, however, operations at Haverhill were somewhat curtailed because of labor conditions. Shoe shipments from Brockton, while the largest in the past four months, did not increase as much as is normally expected during the past two months, with the result that the seasonally adjusted indexes for August and September indicated a slight falling off in the volume of shipments.

Textiles:—Textile activity in New [illegible] during September showed moderate increases of seasonal proportions. The consumption of raw cotton by manufacturing establishments in this district was 64,857 bales, compared with 56,728 bales in August and 102,031 bales in September last year. The increase in consumption, however, was more corrective than an indication of actual revival of production during September. Normally there is no significant change in the daily average of cotton consumption during July, August, and September. This year, however, the August volume dropped off sharply, with the result that the 6.8 per cent increase shown by the seasonally adjusted September figure represents a recovery of 4.3 per cent lost in August, and a 2.5 per cent rise over the July adjusted daily average consumption. The third quarter of 1930 established the lowest average for cotton consumption in any quarter in the past 12 years. Cotton spindle activity in this district has been correspondingly low. There was a reduction of seasonal proportions in the volume of raw cotton stocks held at manufacturing establishments in September and a substantial rise in cotton receipts at five New England cities.

Daily average raw wool consumption, while registering an increase of 33,000 pounds from the same month a year ago, was 6.6 per cent below the normal seasonal volume of consumption in September. Wool consumption, which during the current year has been averaging between 20 and 30 per cent above that of cotton consumption, as shown by a comparison of their respective seasonally adjusted indexes, has been declining slightly during the third quarter of this year.



Sales of Boston department stores in June, July, August, and September were lower than in those months a year ago, consequently a twelve months moving average centered on the 7th month has dropped from 100.6 [illegible] to 100.[illegible]

RETAIL AND WHOLESALE TRADE

New England department store sales during September were 10 per cent lower than in the same month of 1927 and 1929, and about nine per cent below the total for September, 1928. For the first nine months of this year sales of these stores were in smaller volume than in the corresponding period of the three preceding years. Connecticut stores reported a decrease in September sales from last year, but an improvement over the same months of 1927 and 1928; stores in Maine showed smaller sales than in September, 1928 and 1929, but a slight increase over September, 1927. In all other New England states, however, sales were in smaller volume than in 1927, 1928, and 1929, both for September and for the year to date. Wholesale grocery and shoe concerns in this district also reported smaller sales this year than a year ago during September and the first nine months of 1930.

The rate of collection of regular accounts in September by department stores in Boston and Providence, as well as in the entire group of reporting stores, was lower than in the same month of the three preceding years; in New Haven stores, however, collections were made at a higher rate than during September, 1927 and 1928, although somewhat below the rate for September a year ago.

During September and the first three quarters of this year sales of women's and children's gloves and corsets and brassieres were in larger volume than in 1927, 1928, and 1929, while substantial decreases continued to be recorded in the silk, wool, and cotton dress goods, men's clothing, women's ready-to-wear and knit underwear departments.

SALES CONDITIONS

1929 = 100

	Month of September				January through September			
	1927	1928	1929	1930	1927	1928	1929	1930
Connecticut Department Stores	89	91	100	95	97	98	100	98
Maine Department Stores	96	102	100	99	92	97	100	98
Massachusetts Department Stores	99	97	100	91	102	98	100	97
New Hampshire Department Stores	112	107	100	99	107	99	100	95
Rhode Island Department Stores	101	101	100	84	99	97	100	91
Vermont Department Stores	110	119	100	99	101	106	100	95
Boston Department Stores	99	98	100	90	102	99	100	98
New Haven Department Stores	100	101	100	94	99	99	100	96
Providence Department Stores	105	101	100	84	99	98	100	91
New England Department Stores	100	99	100	90	101	98	100	97
New England Wholesale Grocery Concerns	108	103	100	92	107	103	100	95
New England Wholesale Shoe Concerns	113	94	100	82	107	101	100	85

CREDIT CONDITIONS

Percentage of Open Accounts Outstanding at the First of September Collected during September

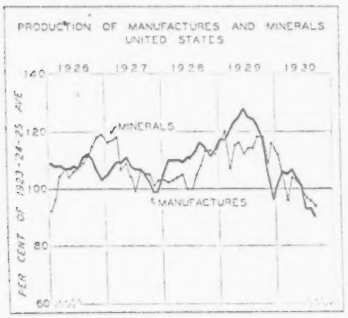
	1927	1928	1929	1930
Boston Department Stores	42.3%	40.2%	39.1%	35.8%
New Haven Department Stores	48.0	48.7	50.6	49.6
Providence Department Stores	42.2	39.5	39.3	34.0
New England Department Stores	42.4	40.8	39.8	36.4
New England Wholesale Grocery Concerns	69.5	68.2	69.1	71.7
New England Wholesale Shoe Concerns	30.8	28.6	30.3	28.6

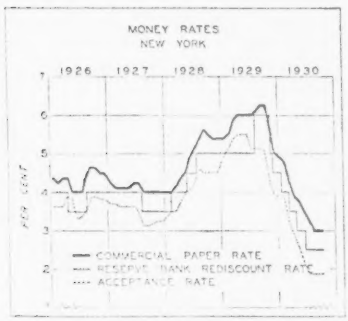
SALES BY DEPARTMENTS—NEW ENGLAND DEPARTMENT STORES

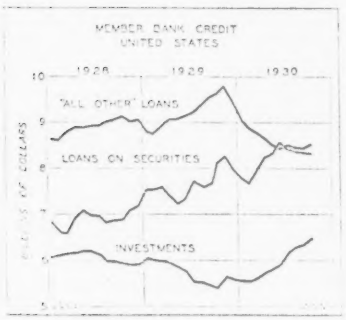
1929 = 100

	Month of September				January through September			
	1927	1928	1929	1930	1927	1928	1929	1930
Silk and Velvet Dress Goods	111	105	100	80	124	110	100	89
Woolen Dress Goods	149	127	100	74	144	124	100	80
Cotton Dress Goods	128	114	100	84	114	108	100	93
Silverware and Jewelry	98	94	100	93	102	98	100	94
Men's Clothing	109	113	100	75	102	105	100	91
Men's Furnishings	101	100	100	92	98	99	100	96
Boys' Wear	105	108	100	83	107	104	100	92
Women's Ready-to-Wear	125	111	100	79	108	104	100	90
Misses' Ready-to-Wear	95	100	100	86	95	97	100	97
Juniors' and Girls' Ready-to-Wear	73	88	100	87	78	90	100	99
Millinery	105	104	100	97	103	99	100	98
Women's and Children's Gloves	85	102	100	107	101	100	100	111
Corsets and Brassieres	98	92	100	110	103	99	100	104
Women's and Children's Hosiery	97	97	100	92	95	96	100	95
Knit Underwear, including Glove Silk	95	92	100	73	101	98	100	87
Silk and Muslin Underwear	109	96	100	92	112	103	100	95
Women's and Children's Shoes	95	99	100	101	99	99	100	97
Furniture	99	99	100	85	99	96	100	94

SUMMARY OF BUSINESS CONDITIONS IN THE UNITED STATES







Volume of factory production increased by about the usual seasonal amount in September, while factory employment increased somewhat less than in other recent years. The general level of prices, which had advanced during August, declined during September and the first half of October. At member banks in leading cities there was a liquidation of security loans and a considerable growth in commercial loans and in investments.

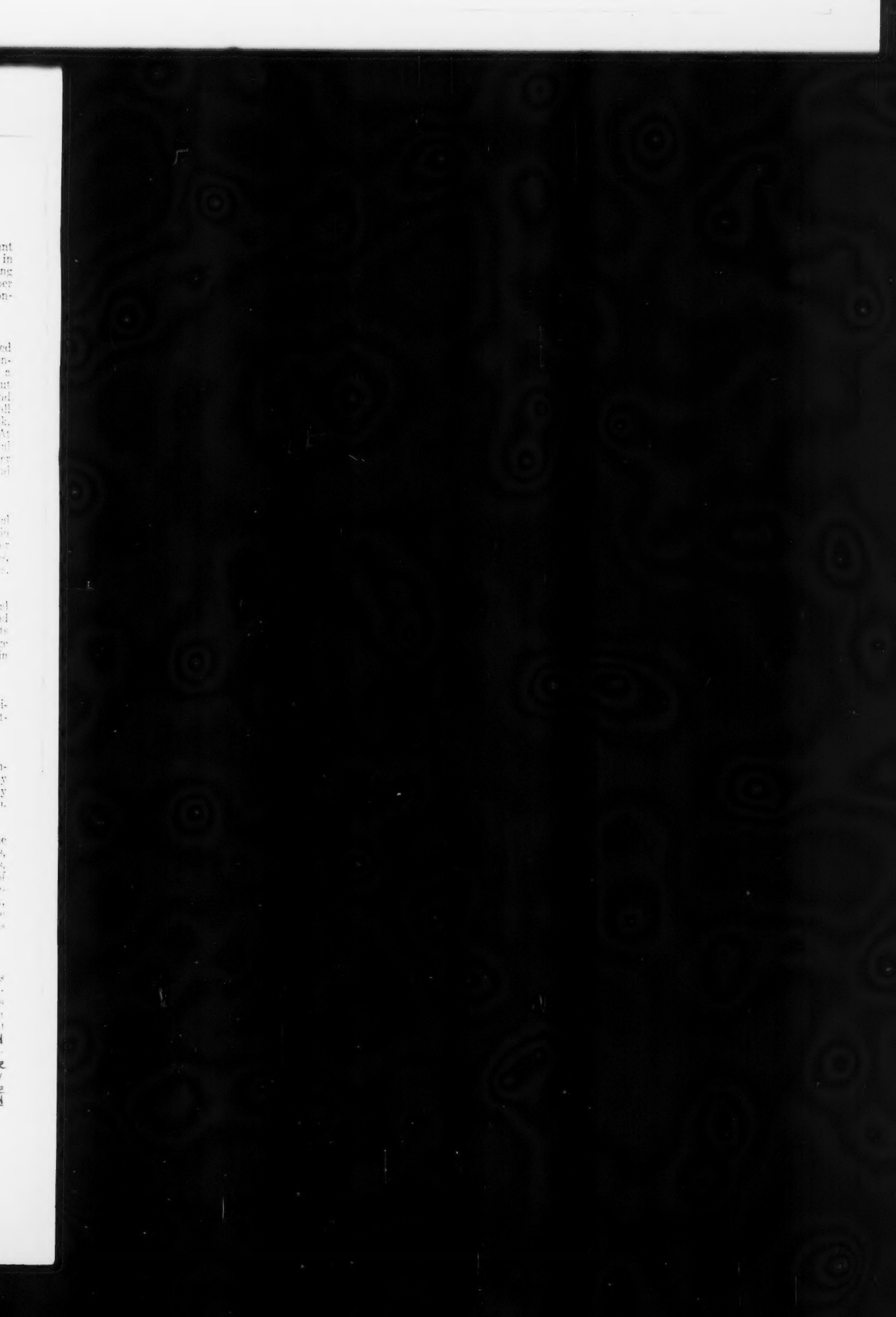
Industrial Production and Employment:—Output of factories increased seasonally in September, while that of mines declined. The Board's seasonally adjusted index of production in factories and mines, which had shown a substantial decrease for each of the preceding four months, declined by about one-half per cent in September. Production of iron and steel, lumber, and cement decreased, and the output of automobiles continued to be in small volume. Activity in the textile industries, including cotton, wool, and silk, increased substantially, and stocks of cotton cloth were further reduced. At bituminous coal mines there was an increase in output of more than seasonal amount; output of copper was larger than in August, and there was a further increase in stocks of copper. Anthracite coal and petroleum production and shipments of iron ore declined.

Employment in manufacturing establishments increased less than is usual at this season, the increase being chiefly in fruit and vegetable canning and in clothing industries, while reductions in number of employees were reported for the iron and steel, automobile, and lumber industries. Outside of factories, increased employment was reported in retail establishments and coal mines.

Residential building increased materially in September, contrary to the usual seasonal trend, while the volume of contracts for commercial buildings and public works and utilities decreased. Total value of building contracts awarded, as reported by the F. W. Dodge Corporation, showed little change during the month. In the first 10 days of October there was an increase in the daily average volume of contracts awarded.

Department of Agriculture estimates, based on October 1 conditions, indicate somewhat larger crops than the estimates made a month earlier for cotton, corn, oats, hay, potatoes, and tobacco.

Distribution:—Freight carloadings continued at low levels during September, the increases reported for most classes of freight being less than ordinarily occur in this month. Dollar volume of department store sales increased by nearly 30 per cent, an increase about equal to the estimated seasonal growth.

Wholesale Prices:—The index of wholesale prices on the average for the month of September as a whole, according to the Bureau of Labor Statistics, was at about the same level as in July and August. The movement of prices, however, was upward in August, reflecting chiefly advances in the prices of live stock and meats, while in September the movement was downward, reflecting declines in a large number of commodities, including grains, live stock, meats, cotton, and copper. In the first half of October there were wide fluctuations in many agricultural prices, decreases in prices of non-ferrous metals, and considerable increases in the prices of sugar and coffee.

Bank Credit:—Security loans of reporting member banks in leading cities increased in the latter part of September, but declined rapidly early in October, the decline reflecting a large volume of liquidation in loans to brokers and dealers in securities. Commercial loans, which up to the last week in September had not shown the usual seasonal growth, increased by $150,000,000 in the following three weeks. The banks' holdings of investments continued to increase. In response to the seasonal demand for currency, the outstanding volume of reserve bank credit showed an increase of $30,000,000 on the average between the weeks ending September 20 and October 18. Money rates in the open market continued at low levels. The yield on high grade bonds declined further until early in October, when bond prices declined and there was a corresponding rise in yields.